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NASA Procedural Requirements

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Subject: Property, Plant, and Equipment and Operating Materials and Supplies

Responsible Office: Office of the Chief Financial Officer

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Chapter 4. Personal Property (General Equipment)

4.1 Overview

4.1.1 This chapter sets forth the accounting standards and policies related to NASA's personal property to assure compliance with statutory and regulatory requirements. These requirements ensure financial control over NASA-owned personal property, including both NASA-held and contractor-held.

4.1.2 This chapter applies to all NASA-owned and NASA-owned, contractor-held personal property, as well as equipment acquired or furnished under NASA grants and cooperative agreements with educational institutions and non-profit organizations. Contractor-held equipment is NASA-owned equipment in the possession of a contractor and includes NASA-furnished equipment, contractor-acquired equipment, and contractor-fabricated equipment.

4.2 Roles and Responsibilities

Refer to Section 1.6 of this NPR document.

4.3 Classification and Identification

4.3.1 Personal property can be classified as either collateral or non-collateral equipment, depending on the nature of the attachment of the equipment to and severability from a facility project.

4.3.2 Collateral equipment is not severable and is considered part of a facility through which it is installed. Examples of collateral equipment include building-type equipment, built-in equipment, and large, substantially affixed equipment normally installed as a part of a facility project, such as construction or modification. Collateral equipment shall be classified as real property as part of the facility in which it is being installed. Refer to Chapter 3 of this NPR document.

4.3.3 Non-collateral equipment, when acquired and used in a facility or test apparatus, can be severed and removed after construction without substantial loss of value or damage to the equipment or the premises where it is installed. Non-collateral equipment shall be classified as personal property and capitalized based on the criteria outlined in this chapter.

4.4 Capitalization Criteria

4.4.1 The following capitalization criteria apply to personal property PP&E acquisitions and fabrications. NASA shall capitalize individual items of PP&E acquired by purchase, transfer, donation, or exchange that meet all of the following criteria:

- a. Have an acquisition cost of \$100,000 or more.
- b. Have an estimated useful life of two years or more.
- c. Are not intended for sale in the ordinary course of operations.
- d. Have been acquired or constructed with the intention of being used, or being available for use, by the Agency.
- e. Have a current or planned alternative future use on another project with a separate objective. Institutional acquisitions are property used in normal operations not specific to a program or mission. Institutional acquisitions that are not defined as maintenance are presumed to have an alternative future use.

4.4.1.1 Items not meeting the above criteria or those specifically identified as prototypes, test articles, ST, or STE are considered R&D costs and are expensed in the period incurred.

4.4.1.2 Personal property PP&E items acquired as part of a bulk purchase that individually meet the capitalization criteria shall be capitalized in accordance with the policies established in this NPR. If the cost per item purchased in bulk does not meet the capitalization threshold, the bulk purchase must be expensed in the period acquired.

4.4.2 Modifications to existing personal property PP&E are considered single events and shall be capitalized as capital improvements when the modifications have an individual cost of \$100,000 or more and meet one of the following criteria:

- a. Extend the useful life of the asset by two years or more.
- b. Enlarge or improve its capacity.
- c. Upgrade it to serve needs different from, or significantly greater than, those originally intended.

4.4.2.1 Capital improvements are capitalized and depreciated. Modifications that do not meet the capitalization criteria are expensed.

4.4.3 Costs of personal property acquisitions and capital improvements meeting the capitalization criteria shall be segregated for identification and tracking through the establishment of unique WBS elements with capital asset indicators.

4.4.4 Maintenance costs incurred to maintain an asset in a useable condition do not meet the criteria for capitalization. Therefore, these costs are expensed when incurred.

4.5 Recognition

4.5.1 WIP (Assets Under Construction).

4.5.1.1 Costs of new fabrication or capital improvements of personal property that meet the capitalization criteria outlined above shall be captured as WIP through the establishment of unique WBS elements with capital asset indicators of AUC until the asset is placed in service.

4.5.1.2 The status of each new fabrication or capital improvement personal property project recorded as WIP shall be monitored on a monthly basis based on the percentage of completion. Once a project has reached 95 percent completion, information must be obtained to determine if the PP&E has been placed in service so that the PP&E can be recognized on a timely basis.

4.5.1.3 When PP&E being recorded in WIP is complete, the total capital cost recorded as WIP shall be transferred to capital PP&E. The capital balances transferred from WIP must be supported by sufficient supporting documentation, and any variances between the amount transferred and the supporting documentation must be reviewed and approved by the Agency Director of Financial Management prior to processing any manual adjustments.

4.5.2 In general, NASA shall recognize personal property PP&E when title to the asset passes to NASA. Title passage will occur either at the time of delivery and acceptance by a Government official or at an earlier contractually specified time. In the case of fabricated PP&E, the PP&E must be recorded as WIP until placed in service, at which time the balance will be transferred to capital PP&E.

4.5.2.1 For purchased equipment, the recognition date shall be based on the shipping terms of the contract or purchase order. This will be the date shown on the receiving and inspection report or equivalent source document evidencing the receipt, passage of inspection, and acceptance by the Government unless the contract or purchase order provides other specific terms of title passage.

4.5.2.2 For General PP&E assets acquired by a contractor on behalf of NASA, the recognition date shall be based upon delivery or constructive delivery either to the contractor performing the service or to a NASA facility. Delivery or constructive delivery must be based on the terms of the contract regarding delivery, receipt, and acceptance.

4.6 Valuation

4.6.1 Capitalized values shall include all costs incurred to bring PP&E to a form and location suitable for its intended use as outlined in Section 2.3 of this NPR.

4.6.1.1 If an item, as originally installed, is an aggregate of components that could stand alone (as opposed to parts) and are severable, those components shall be individually

subjected to the capitalization criteria and only those components that meet the criteria are to be originally capitalized. If an item, as originally installed, is an aggregate of components that could not stand alone and are not severable, those components must be subjected to the capitalization criteria in aggregate.

4.6.1.2 If a personal property item that meets the capitalization criteria is taken delivery by and accepted by a NASA official prior to the end of the fiscal year and is capitalized, any related remaining cost paid in the next fiscal year shall be included in the capitalized value.

4.6.1.3 If an item does not meet the capitalization threshold at the end of the fiscal year, but related remaining costs paid the next fiscal year result in the total cost of the asset meeting the capitalization threshold, the entire cost of the asset shall be capitalized in the next fiscal year (assuming the other capitalization criteria are met).

4.6.2 Unrecorded Personal Property

4.6.2.1 Personal property that is identified during inspections or inventories as found on station that has not been recorded shall be valued at its estimated value based on similar items, engineering estimates, or other reasonably supportable methodologies. If supporting documentation for the original acquisition is available, the property must be valued based on the supporting documentation.

4.7 Depreciation

4.7.1 See Section 2.6.

4.8 Personal Property not in use

4.8.1 See Section 2.5.3.

4.9 Disposal

See Section 2.5.2.

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